

# Multi-Year Forecast

## INTRODUCTION

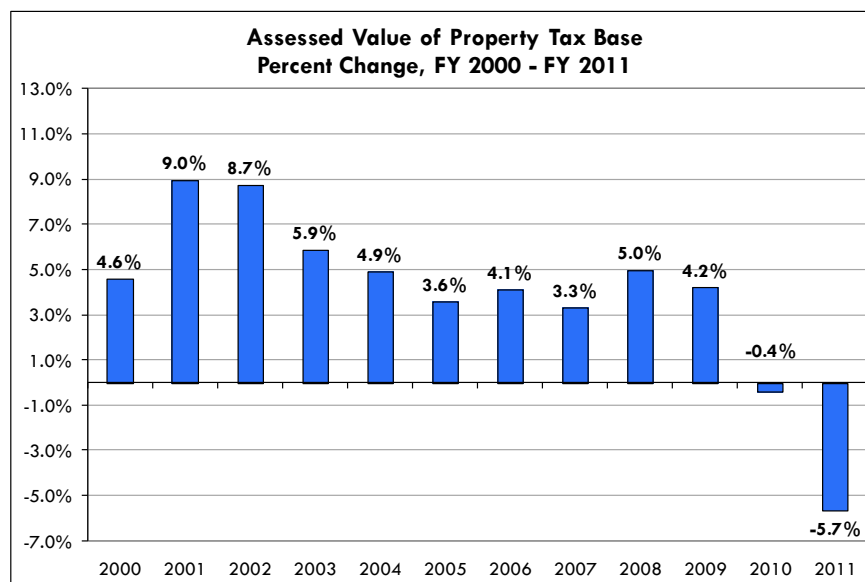
This multi-year financial forecast estimates General Fund expenditures and revenues from the FY2012 Budget through FY2016. The current authorized FY2011 Budget is utilized as the base year from which estimates of future years are made. The forecast is intended to develop an awareness of significant issues that may be encountered during the upcoming budget process and in future years.

It is important to note that in a multi-year financial forecast a projected deficit in one year is carried forward to succeeding years, creating cumulative deficits. In reality, the City of Arlington will adopt a balanced budget each year, as required by law. No actual deficits will carry forward.

## MAJOR ASSUMPTIONS

### Revenues

The largest single revenue source for the General Fund is Ad Valorem taxes, also known as property taxes. In the FY2011 Adopted Budget, AV taxes account for 37.1% (\$73.4 million) of all General Fund revenues. Historically the City of Arlington was able to depend upon steady growth in property taxes. However, beginning in FY2010 AV taxes began to decline.

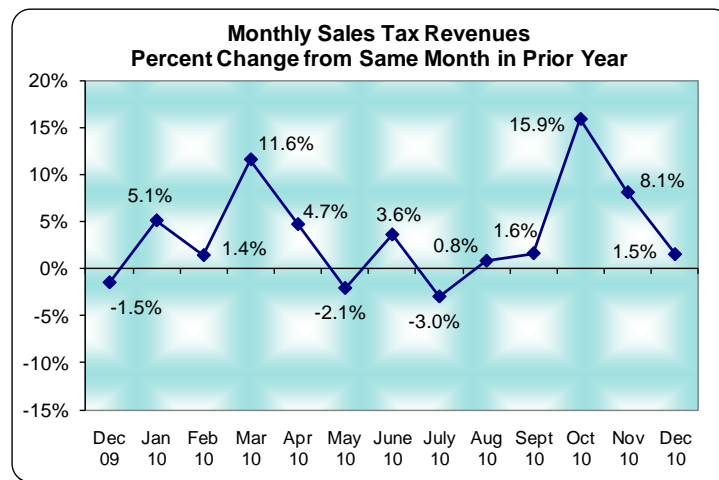


While there are many signs pointing to the turnaround of the economy, property taxes historically lag other revenue sources in responding to improved economic conditions. Therefore, in the current multiyear forecast AV growth is projected to be down 2% in FY2012, flat with no growth in FY2013, and 2% growth beginning in FY2014 and carried forward through FY2016.



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Sales tax is the second largest revenue to the General Fund. In FY2011, sales taxes account for 23.9% (\$47.1 million) of General Fund revenues. Unlike property taxes, sales tax receipts are more directly impacted by economic conditions, either good or bad. Typically sales tax revenues are the first warning sign of economic downturn and the first indicator of improved economic conditions. There is evidence to support an optimistic outlook for sales tax revenues. Sales tax receipts have exceeded receipts from the same month in the prior year for five consecutive months, even after Super Bowl receipts are removed from the equation. Through December 2010, receipts are 7.4% above the amount received in the first three months of FY 2010.



Additionally, the current year estimate is projecting sales tax revenues to be \$915,000 over budget. Therefore in the multiyear forecast, sales tax revenues are estimated to increase 2% in FY12 (minus the effect of the Super Bowl) and 3% thereafter, recognizing a gradual increase in economic activity in future years.

After property and sales tax, franchise fees represent the next largest revenue source for the City. Franchise fees are those fees paid by utilities for the use of City streets, alleyways, and property in providing services to their customers. Franchise fees are 17.8% (\$35.2 million) of General Fund revenues. Utilities typically remit franchise fee payments 45 days after the end of the quarter, making first quarter projections difficult. For the purposes of this multi-year forecast, franchise fees in FY2012 are set at FY2010 actual amounts collected with the exception of Landfill royalties which are determined by contract and/or current conditions.

These three revenue sources - property tax, sales tax, and franchise fees - comprise 79% of the revenues to the General Fund. For the purposes of the forecast, the remaining revenues are projected using historical averages and current conditions.



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## Expenditures

Employee salaries and benefits continue to be the single biggest expenditure in the General Fund (76%). As a result, compensation packages or benefit enhancements represent a significant impact to the budget. Every 1% increase in employee compensation will require an approximate \$1.6 million in additional funding. Due to economic conditions, the last employee compensation increase was given in the fall of 2007. The multi-year forecast does not include employee compensation increases in FY2012 as the city continues to recover from the downturn and address outstanding Challenge Grants. A 3% compensation package is included in the expenditures in FY13 - FY16. Other benefits impacting the multiyear forecast include an additional \$500,000 each year to fund the TMRS imbalance and an anticipated 8% increase (\$944,000) in health insurance costs each year.

In response to the difficult economy but with a desire to maintain a strong commitment to public safety the City of Arlington applied for the Community Oriented Policing Services (COPS) grant administered by the Department of Justice in the fall of 2010. The multiyear forecast includes the impact of the increasing grant match associated with the 31 positions covered by the grant. This includes adding \$1,506,320 in expenditures in FY2012 and \$2,259,480 in FY2013. In FY2014 the 31 positions will be fully funded in the General Fund.

Other expenditure assumptions include a 1% increase in the cost of supplies, maintenance and contracts, which equals about \$300,000 per year. Additionally, as part of the FY2010 budget, recurring funding for Fire apparatus was removed from the budget. Therefore the forecast includes no funding for Fire vehicles. One-time funding may be available at year-end for such a purchase.



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	FY11 Adopted	FY11 Estimate - 1st Qtr BAR	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
GENERAL FUND REVENUES	\$ 197,626,320	\$ 198,646,107	\$ 194,345,727	\$ 196,480,877	\$ 200,196,928	\$ 204,012,307	\$ 207,929,360
INTERFUND TRANSFERS:							
Water and Sewer Fund	\$ 3,313,328	\$ 3,313,328	\$ 3,313,328	\$ 3,313,328	\$ 3,313,328	\$ 3,313,328	\$ 3,313,328
Conv. & Event Svcs. Fund	354,748	354,748	354,748	354,748	354,748	354,748	354,748
Stormwater Fund	337,557	337,557	337,557	337,557	337,557	337,557	337,557
Challenge Grants	4,807,364	4,611,225	2,403,682	-	-	-	-
One-time Funds	1,242,030	1,242,030	-	-	-	-	-
To Health Insurance Fund	-	-	-	-	-	-	-
To APFA Fund	(845,000)	(845,000)	(845,000)	(845,000)	(845,000)	(845,000)	(845,000)
Special Transportation Fund	(1,048,000)	(1,129,729)	(1,048,000)	(1,048,000)	(1,048,000)	(1,048,000)	(1,048,000)
To Parks Performance Fund	(2,232,851)	(2,232,851)	(2,065,685)	(1,898,519)	(1,898,519)	(1,898,519)	(1,898,519)
To Street Maintenance Fund	(2,301,527)	(2,301,527)	(2,301,527)	(1,932,278)	(1,932,278)	(1,932,278)	(1,932,278)
To Traffic	(3,194,347)	(3,194,347)	(3,194,347)	(3,194,347)	(3,194,347)	(3,194,347)	(3,194,347)
INTERFUND TRANSFERS	\$ 433,302	\$ 155,434	(3,045,244)	(4,912,511)	(4,912,511)	(4,912,511)	(4,912,511)
TOTAL AVAILABLE FUNDS	\$ 198,059,622	\$ 198,801,541	\$ 191,300,483	\$ 191,568,366	\$ 195,284,417	\$ 199,099,796	\$ 203,016,849
GENERAL FUND EXPENDITURES	\$ 198,049,420	\$ 197,420,804	\$ 193,801,433	\$ 197,783,135	\$ 203,603,356	\$ 209,645,733	\$ 215,921,259
ENDING BALANCE	\$ 10,202	\$ 1,380,736	\$ (2,500,950)	\$ (6,214,768)	\$ (8,318,939)	\$ (10,545,937)	\$ (12,904,411)

